

## Message Text

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ACTION EUR-12

INFO OCT-01 NEA-06 ISO-00 SWF-01 AID-05 CEA-01 CIAE-00

COME-00 EB-07 FRB-01 INR-05 NSAE-00 RSC-01 CIEP-01

SP-02 STR-01 TRSE-00 LAB-01 SIL-01 SAM-01 OMB-01

NSC-05 SS-15 PRS-01 SAJ-01 AGR-05 /075 W

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E.O. 11652: N/A

TAGS: ETRD, EEC, SP

SUBJECT: EC MEDITERRANEAN POLICY -- SPAIN

REF: MADRID 7222

1. BEGIN SUMMARY: TALKS BETWEEN THE EUROPEAN COMMUNITY AND SPAIN HAVE ENDED WITH NO SUBSTANTIAL MOVEMENT BEYOND THE POSITION OF A YEAR AGO AS THE SPANISH STUCK TO THEIR EARLIER DEMANDS -- COMPENSATION FOR EC ENLARGEMENT, NON-DISCRIMINATORY TREATMENT VIS-A-VIS THE OTHER MEDITERRANEAN COUNTRIES, AND ADDITIONAL EC AGRICULTURAL CONCESSIONS TO COMPENSATE FOR SPANISH INDUSTRIAL TARIFF CONCESSIONS. THE COMMISSION UNDER THE CONSTRAINTS OF ITS COUNCIL MANDATE COULD NOT ACCEPT THE DETERMINED STAND OF THE SPANISH AND, AT THE EC'S BEHEST, THE CURRENT TALKS WERE TERMINATED. THE COMMISSION WILL CONTINUE TO STUDY THE SPANISH POSITIONS AND IS READY TO MEET WITH THE SPANIARDS AGAIN BUT IT EXPECTS SPAIN TO PROPOSE A DATE. THE POSITION THE ALGERIANS TAKE IN THEIR DECEMBER 2-3 MEETING WITH THE EC WILL BE INFLUENTIAL IN DETERMINING WHETHER THE COMMISSION PUSHES AHEAD TO CONCLUDE THE MEDITERRANEAN ACCORDS

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WITHOUT SPAIN. END SUMMARY.

2. THE LATEST ROUND OF NEGOTIATIONS BETWEEN SPAIN AND THE EUROPEAN COMMUNITY UNDER THE EC'S "GLOBAL" MEDITERRANEAN POLICY TOOK PLACE IN BRUSSELS ON NOVEMBER 20-21. MISSION CONTACTS IN THE EC COMMISSION AND THE UK PERM DEL DESCRIBED THE CLIMATE IN WHICH THE TALKS TOOK PLACE AS POSITIVE BUT THE RESULTS QUITE DISAPPOINTING. A WELL-PLACED COMMISSION SOURCE WHO PARTICIPATED IN THE NEGOTIATIONS NOTED THAT THE EC HAD, AFTER CONSIDERABLE EFFORT DURING THE LAST YEAR, OBTAINED A MANDATE WITH IMPROVED OFFERS FOR THE SPANISH. THE SPANISH, HOWEVER, WERE EVIDENTLY UNWILLING TO GO MUCH BEYOND THEIR EARLIER POSITION. THE THREE BASIC PRINCIPLES UNDERLYING THE SPANISH APPROACH TO THE TALKS, ACCORDING TO THE COMMISSION, WERE COMPENSATION FOR THE EFFECTS OF EC ENLARGEMENT ON SPANISH TRADE (I.E. ADDITIONAL AGRICULTURAL CONCESSIONS), GENERALLY COMPARABLE TREATMENT AS COMPARED WITH ISRAEL AND THE MAGHREB AND ADDITIONAL COMPENSATION IN AGRICULTURE IN VIEW OF THE MAJOR SACRIFICES THEY WILL MAKE IN OPENING THEIR MARKET (WITH ITS CURRENT HIGH INDUSTRIAL TARIFFS) TO EC INDUSTRIAL PRODUCTS.

3. ADDITIONAL SPANISH REQUESTS: THE SPANISH CONTINUE TO PRESS FOR A SLOWER TARIFF DISMANTLING PERIOD ON EC INDUSTRIAL EXPORTS THAN THE COMMUNITY WANTS. INSTEAD OF THE EARLIER EC PROPOSAL OF ZERO DUTIES ON 60 PERCENT OF EC INDUSTRIAL EXPORTS BY 1977 AND THE REMAINING 40 PERCENT BY 1982 (WITH A POSSIBLE EXTENSION TO 1984), THE SPANISH HAVE SAID THEY WANT ONLY 20 PERCENT BY 1977 AND THE REMAINING 80 PERCENT BY 1984. THE EC SIDE DOES NOT CONSIDER THIS ADEQUATE.

4. ON AGRICULTURE THE SPANISH ASKED FOR INCLUSION OF SEVERAL ADDITIONAL PRODUCTS INCLUDING CANNED TUNA, LONGER SEASONAL CONCESSIONS ON SEVERAL PRODUCTS AND MORE FAVORABLE CONCESSIONS ON WINE, BOTH BOTTLED AND CASKED.

5. BALANCED PACKAGE SOUGHT: THE SPANISH WERE PARTICULARLY ANXIOUS TO GET A TRADE ARRANGEMENT WHICH WILL BALANCE WHAT THEY VIEW AS A VERY SIGNIFICANT OFFER TO THE COMMUNITY ON INDUSTRIAL PRODUCTS WITH AN EQUALLY ATTRACTIVE AGRICULTURAL CONCESSION BY THE EC. OUR COMMISSION SOURCE SAID THAT THE SPANISH RECOGNIZED THAT THE EC FACED PARTICULAR DIFFICULTIES LIMITED OFFICIAL USE

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IN MAKING SIZEABLE ADDITIONAL CONCESSIONS IN AGRICULTURE AT PRESENT AND THEREFORE THE SPANISH PROPOSED THAT THE SITUATION COULD BE REVIEWED IN 1978.

6. UNDER THE PROPOSED REVIEW PROCEDURE SPAIN COULD ASSESS, IN 1978, WHETHER AGRICULTURAL AND INDUSTRIAL CONCESSIONS ARE ADEQUATELY BALANCE. IF SPAIN IS NOT SATISFIED SHE COULD UNILATERALLY HALT FURTHER INDUSTRIAL TARIFF DISMANTLING. THE

EC WILL, BY 1978, HAVE OPENED ITS MARKET TO SPAIN AND MADE A NUMBER OF DIFFICULT AGRICULTURAL CONCESSIONS. IN RETURN IT WILL HAVE ONLY ACHIEVED DUTY-FREE ACCESS FOR APPROXIMATELY 35-40 PERCENT OF ITS INDUSTRIAL PRODUCTS BY THAT TIME. COMMISSION AND PERM DEL SOURCES STRESSED THAT A UNILATERAL REVIEW PROCEDURE ALONG THESE LINES IS THEREFORE UNACCEPTABLE.

7. AS A RESULT OF THE LACK OF AGREEMENT ON THIS LAST POINT THE TALKS WERE CONCLUDED WITHOUT ANY REAL PROGRESS. NO PRESS COMMUNIQUE WAS ISSUED. THE COMMISSION WILL CONTINUE TO STUDY THE SPANISH POSITION BUT OUR SOURCES HAVE NOTED THAT THEY EXPECT THE SPANISH TO INITIATE ANY FURTHER DISCUSSION. OUR COMMISSIN SOURCE ALSO SIAD THAT THE RESULTS OF THE TALKS SCHEDULED WITH THE ALGERIANS WILL BE INFLUENTIAL IN THE COMMUNITY'S CONSIDERATION OF HOW TO PROCEED WITH THE CONCLUSION OF AGREEMENTS CURRENTLY BEING NEGOTIATED WITH THE OTHER FOUR MED COUNTRIES. PRSUMABLY IF TALKS WITH THE ALGERIANS PROVE SUFFICIENTLY POSITIVE, THE COMMISSIO WILL BE IN A BETTER POSITION TO PRESS FOR SIGNING THE PROPOSED ACCORDS WITH THE FOUR WITHOUT WAITING FOR THE SPANISH.MYERSON

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